

VZCZCXRO3708
PP RUEHCN RUEHDT RUEHHM
DE RUEHCHI #0179/01 3350752
ZNR UUUUU ZZH
P R 010752Z DEC 09
FM AMCONSUL CHIANG MAI
TO RUEHC/SECSTATE WASHDC PRIORITY 1223
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS
RUEHCHI/AMCONSUL CHIANG MAI 1315

UNCLAS SECTION 01 OF 02 CHIANG MAI 000179

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [ECON](#) [ETRD](#) [EINV](#) [PREL](#) [TH](#)
SUBJECT: AMBASSADOR PROMOTES U.S.-THAI BUSINESS RELATIONS IN NORTHERN THAILAND

REF: 08 CHIANG MAI 39 (HOLLYWOOD, BOLLYWOOD . . . CNXWOOD?)

CHIANG MAI 00000179 001.2 OF 002

Summary

¶1. (SBU) The Ambassador promoted U.S.-Thai economic relations during a November 18 visit to Chiang Mai. His program included meetings with local government, press, and private industry. At his call on the Provincial Governor, the topics discussed included the need to further IPR protection in Thailand as a means to support diversification of the economy, and concern with China's growing influence in the Mekong region, which the Governor believes the U.S. needs to counter. At a round table discussion with local press, the Ambassador highlighted the strong trade that exists between Thailand and the U.S. and the increased engagement with Asia the Obama administration has shown. Over lunch, a U.S. IT and entertainment firm described both the benefits and the hurdles of doing business in northern Thailand. End Summary.

Ambassador Meets with Chiang Mai Governor

¶2. (SBU) Ambassador and Mrs. John were in Chiang Mai November 15-17, working together with Jimmy and Rosalynn Carter on Habitat for Humanity's Mekong Build 2009 (see Embassy Bangkok website for details -- <http://bangkok.usembassy.gov/embassy-activities/2009/nov/06.html>). On November 18, the Ambassador spent a full day promoting U.S.-Thai business relations in northern Thailand. His first meeting, with Chiang Mai Governor Amonrapun Nimanandh, covered three topics: northern Thailand's desire to diversify its economic base beyond agriculture and tourism to include "Creative Economy" industries; the need for Thailand to strengthen its intellectual property rights (IPR) enforcement to attract international investment in those industries; and Thailand's concern with China's growing trade influence in the Greater Mekong Subregion (GMS).

¶3. (SBU) Ambassador reaffirmed the efforts that Consulate Chiang Mai has, and will continue to make, in support of the diversification of northern Thailand's economy. The Governor confirmed his participation in the "Creative Economy IT Conference" the Consulate will host February 18-19 in Chiang Mai. The event, which the Ambassador will open, will bring together U.S. and northern Thai IT professionals to generate new business partnerships, boost recruiting of the North's IT talent, and lay the groundwork for sales and investment opportunities in support of northern Thailand's efforts to become a cost-effective IT hub. The Governor said northern Thailand needed to showcase itself better to "Creative Economy" businesses. He commented that, while during the Thaksin Shinawatra administration (2001-06) the Government provided funding to northern Thailand to help develop its IT infrastructure, such government investment has slowed in recent years.

¶4. (SBU) The Ambassador stated that strong IPR enforcement

is a prerequisite for any country to attract international investment from "Creative Economy" businesses. The Governor agreed and said the Thai government has already begun this process by requiring government employees to use licensed software. Changing the public's behavior will be much more difficult, however. Moreover, Thai law enforcement officials have limited resources and training in IPR. He suggested that granting the Minister of Commerce more power to enforce IPR laws might be a good first step toward improving enforcement. The Governor and Ambassador agreed that while Thais may not see the advantage to protecting IPR today, in the long run Thailand will benefit economically with stronger IPR protection.

15. (SBU) The Ambassador noted how the Obama administration has demonstrated a renewed focus in relations with Asia. He pointed to the Secretary's visit to the region in July, and the announcement of the Lower Mekong Initiative (LMI), as indicators of increased U.S. engagement in the region. The initial focus of the LMI is environmental and health cooperation, which has the potential to establish a stronger base for economic development. Programs like these, therefore, could bring greater foreign investment to the lower Mekong region. The Governor replied that this would be in both our countries' interests considering China's recent investments to improve its trade routes from southern China into the GMS. He expressed concern that China's influence in the region will grow unchecked unless the U.S. is there to counterbalance it.

Round Table Discussion with Northern Thai Press

16. (SBU) The Ambassador began his meeting with members of the northern Thai press by pointing out that the bilateral relationship between the U.S. and Thailand extends beyond government to government. While in the past 40 years the USG has invested one billion dollars in Thailand, during the same period U.S. businesses have invested over \$23 billion. This makes the U.S. one of the largest investors in Thailand, second only to Japan.

CHIANG MAI 00000179 002.2 OF 002

17. (SBU) The Ambassador noted that U.S. companies directly employ 250,000 Thais, and indirectly hundreds of thousands more through suppliers and other support companies. U.S.-Thai bilateral trade exceeds \$30 billion, with \$23 billion of that being exports from Thailand to the U.S. This makes the U.S. Thailand's largest export market. The Ambassador emphasized his support for increasing economic activity between the U.S. and northern Thailand, which currently comprises a relatively small portion of overall U.S.-Thai commercial activity. He announced that the U.S. Consulate will be hosting a "Creative Economy IT Conference" on February 18-19.

18. (SBU) Press members asked about the USG's renewed interest in the Mekong region, and sought the Ambassadors opinion on what areas Thailand needs to concentrate on the most to improve its economic growth and standing in the world. The Ambassador said the U.S. sees ASEAN as a strategic partner, and is the group's first Dialogue Partner to have appointed an Ambassador to ASEAN. He added that the Obama administration's commitment to greater engagement with Asia will benefit Thailand. As for improving Thailand's economic competitiveness, the Ambassador cited improved IPR protection, investment in communications/IT infrastructure, and stronger education as significant keys.

Creative Kingdom Inc. Trying to Create Opportunities in Northern Thailand

19. (SBU) The Ambassador visited the office of Creative Kingdom Animation (CKA), a subsidiary of Los Angeles-based Creative Kingdom Inc. (CKI), a multi-national architectural design firm involved in major resort and theme park projects. According to CKI CEO Eduardo Robles, CKI's Chiang Mai office is focused on digital animation and video game design, employing some 170 graphic designers, programmers, and architects among its 300 employees. The firm has an international client base,

ranging from broadcast and television companies to computer graphics and computer game design.

¶10. (SBU) Over lunch, Robles (an American citizen) explained the opportunities and obstacles facing any foreign company wanting to do business in northern Thailand. Since opening in Chiang Mai in 2004, CKA has experienced first-hand the political upheaval Thailand has been going through. With the repeated changes of government, and the resulting rapid turnover of leaders of government agencies, CKA must work without any sort of continuity needed for development/investment projects. Robles also expressed his frustration with Thailand's slow acceptance of tax breaks as a way to stimulate new investment.

¶11. (SBU) In June, CKI announced its ambitious plans to build "CNXwood," a \$220 million movie studio and theme park resort (Reftel). If completed, the development is expected to create over 22,000 jobs, and - in Robles' vision - would position Chiang Mai to rival Hong Kong as the entertainment production hub of Asia. CKI has already signed a MOU for the land (just outside of Chiang Mai) with a private landowner. It has also secured a provisional commitment for the \$60 million start-up cost from a multinational entertainment group, contingent on CKI's ability to secure from the RTG tax and non-tax incentives for foreign investment in the entertainment industry. CKI has been lobbying the RTG for such measures, including exemption from tariffs on imported film equipment and a tax credit for foreign film producers.

¶12. (SBU) Robles expressed frustration with the difficulty of navigating the Thai bureaucracy to secure the RTG's cooperation for a large-scale project like "CNXwood". Robles asked the Ambassador how the Embassy might be able to help. The Ambassador responded by describing the various ways the Embassy can engage in support of U.S. commercial interests, and as a starting point urged CKI to reach out to the American Chamber of Commerce in Bangkok, as well as the Embassy's U.S. Commercial Service office.

MORROW